



**FOR IMMEDIATE RELEASE:**  
**January 24, 2018**

**CONTACT**

Brendan Moss, Governor's Office

[brendan.c.moss@state.ma.us](mailto:brendan.c.moss@state.ma.us)

Sarah Finlaw, Administration and Finance

[sarah.finlaw@MassMail.State.MA.US](mailto:sarah.finlaw@MassMail.State.MA.US)



**Governor Baker Releases Fiscal Year 2019 Budget Proposal**

*\$40.9 billion budget invests in mental health services, substance misuse, local aid, education, workforce development and deposits money into the Stabilization Fund*

**BOSTON** – Today, the Baker-Polito Administration filed its Fiscal Year 2019 (FY19) budget proposal, a \$40.9 billion spending plan that invests historic funding levels for local communities, provides tax relief to working families, and increases funding for education, substance misuse, and mental health services.

“This fiscally responsible budget continues to support every community in the Commonwealth—without raising taxes on the people of Massachusetts,” **said Governor Charlie Baker**. “Through tax credits, new programs and increased investments, our proposal will support working families as well as small businesses and enhance programs to make college more affordable, fight the opioid epidemic and get workers the skills they need to compete for better jobs. We look forward to working with the Legislature in the coming months to pass a sustainable and balanced state budget.”

“The local aid and Community Compact investments in our budget proposal reaffirm our commitment to serving as a reliable partner to cities and towns across the Commonwealth,” **said Lieutenant Governor Karyn Polito**. “Our proposal will also fund a new State Police class, important public safety grants for municipalities, as well as youth and domestic violence prevention programs, further strengthening safety in our cities and towns.”

“Our Fiscal Year 2019 proposal maintains structural balance, protects and rebuilds the Rainy Day Fund, keeps spending in line with recurring revenue and manages the

growth of MassHealth spending,” said **Administration and Finance Secretary Michael J. Heffernan**. “This budget continues to make progress on improving the Commonwealth’s long-term fiscal health.”

The FY19 budget proposal, known as House 2, relies on a consensus revenue tax estimate of \$27.594 billion, which is 3.5% growth over the revised FY18 tax revenue projection. House 2 increases overall spending by 2.6% and keeps MassHealth growth to 0.5% over FY18 estimated spending.

House 2 relies on less than \$100 million in non-recurring revenue, and anticipates a deposit of \$96 million into the Stabilization Fund, which would bring total reserves to \$1.463 billion, an increase of 30% since the Baker-Polito administration took office.

The fiscally responsible plan makes investments across key areas without raising taxes or fees to balance the budget.

### **Support for Working Families**

The administration proposes to increase the Earned Income Tax Credit (EITC) from 23% of the federal credit to 30%, which would provide about 450,000 individuals with relief in Fiscal Year 2020, the first year this change would go into effect. In 2015, the administration worked with the Legislature to raise the EITC from 15% of the federal credit to 23%.

### **Reducing Burden for Small Business Owners**

The administration proposes to cut the filing fee for forming a limited liability company (LLC) in Massachusetts in half to \$250. The Commonwealth’s LLC filing fee is one of the highest in the country.

House 2 also supports the new veteran tax credit for smaller businesses, which was first proposed by the Baker-Polito administration and enacted by the Legislature in FY18. Businesses with 100 or fewer employees are eligible for a two-year \$2,000 annual tax credit when they hire and retain an unemployed veteran.

### **Local Education Aid to Historic Level**

House 2 includes \$4.865 billion in local education aid, an all-time high. FY19 funding includes \$15 million for schools districts that have experienced significant levels of enrollment of students from Puerto Rico and the U.S. Virgin Islands that were displaced by Hurricanes Maria and Irma. The budget also proposes \$24.3 million in Chapter 70 aid for districts as a down payment on the rising cost of healthcare, which was the biggest recommendation from the Foundation Budget Review Commission.

### **Higher Education**

The administration’s proposal includes over \$100 million in scholarship assistance for students pursuing post-secondary education at campuses across the Commonwealth,

including \$7.1 million to double the MassGrant program for community college students. This new MassGrant funding is the largest increase in scholarship assistance in over a decade and will help close any remaining gap in financial aid for tuition and fees for all full and part-time students at the Commonwealth's 15 community colleges.

House 2 also proposes \$3 million in new support for an early college program that will focus on engaging student populations who are currently underrepresented in college and encouraging students to enter STEM fields.

### **Strengthened Behavioral Health Services**

House 2 recommends an increase of \$93.2 million for the Department of Mental Health (DMH), which includes a significant investment in funding for DMH's Adult Community Clinical Services, DMH's redesigned community-based service model for adults with serious mental illness. The new model will integrate behavioral and physical health to provide active and assertive outreach and engagement, continuous clinical coverage, and include peer and recovery coaches as part of the treatment plan.

### **New Substance Misuse Recovery Program at MASAC**

To strengthen overall treatment and aftercare services provided to civilly committed individuals, the administration recommends \$12.8 million, including a \$3 million increase, for the Massachusetts Alcohol and Substance Abuse Center (MASAC) in Plymouth. This new funding will support the hiring of new substance abuse counselors and implementation of a new Medication Assisted Treatment Reentry Initiative tailored to meet the needs of the civilly committed population at MASAC.

### **Children and Families**

Since taking office, the administration has led reforms at the Department of Children and Families (DCF) and has increased funding by \$132.8 million to support the hiring of approximately 600 new employees to address the critical infrastructure needed to run the agency, including over 300 social workers. House 2 recommends nearly \$1 billion for DCF, a \$20 million increase over FY18 spending, which will support the continued hiring of new staff dedicated to serving the Commonwealth's most vulnerable children.

### **Housing**

The administration recently announced the Housing Choice initiative to encourage municipalities to plan for and build the diverse housing stock the Commonwealth needs to address affordable housing challenges. House 2 has nearly \$3 million in new funding to provide this program incentives, grant funding, and technical assistance.

### **Good Government Reforms**

To bring the Commonwealth in line with other states and private sector employers, the Baker-Polito administration proposes to cap accrued sick time for executive branch and higher education employees to 1,000 hours.

In order to level the playing field between hotels, motels, and transient accommodations, the Baker-Polito administration proposes to require operators who rent rooms for 150 or more days per year to collect and remit room occupancy tax. The proposal also permits the Commissioner of the Department of Revenue (DOR) to enter into voluntary agreements with intermediaries who facilitate short-term rentals for the collection of room occupancy tax.

## **THE BAKER-POLITO ADMINISTRATION'S FY19 BUDGET HIGHLIGHTS BY NUMBERS**

### **Fiscal Overview**

- Nearly eliminates the inherited structural deficit by reducing the budgeted use of one-time revenues to under \$100 million, down from \$1.2 billion in FY15.
- Anticipates a deposit of \$96 million into the Stabilization Fund.

### **Supporting the Commonwealth's Communities**

- \$1.099 billion in unrestricted general government aid (UGGA), a 3.5% or \$37 million increase over FY18, equal to the consensus revenue tax revenue growth rate.
- \$6.8 million in Community Compact-related programming.
- Holds the line on no new tax rate increases.

### **Addressing College Affordability**

- \$7.1 million in new funding to double the MassGrant program for community college students. This funding will close any remaining gap in financial aid for tuition and fees for all students at the Commonwealth's 15 community colleges.
- \$3 million in new support for an early college program that will focus on engaging student populations who are currently underrepresented in college and encouraging students to enter STEM fields.
- \$250,000 increase for the recently expanded Commonwealth Commitment program, which allows students to begin their post-secondary education as a community college and transfer to a state university and save on the cost of a traditional bachelor's degree.

### **Health and Human Services**

- \$25 million to continue fully-funding the Turning 22 class at the Department of Developmental Services.
- \$16.5 million, including \$2.3 million increase, to support a \$12 per elder formula grant, to provide additional funding for local Councils on Aging.
- The Department of Transitional Assistance (DTA) renewed efforts to support economic mobility and employment for individuals and their families will be

aided in this budget by \$4 million to build on efforts to get people back to work in sustainable jobs and on a path to long-term self-sufficiency.

### **Substance Misuse and the Opioid Epidemic**

- \$149.2 million in funding at the Department of Public Health (DPH) to support efforts to fight the opioid epidemic including:
  - \$63 million in residential services;
  - \$21 million in continued investment in step-down and transitional beds;
  - \$4 million in youth step-down, transitional, and residential services;
  - \$4 million in Section 35 step-down beds for civilly committed individuals.
- \$13.2 million to continue investment in Section 35 beds for civilly committed women at Taunton State Hospital.
- \$5 million to a new Substance Use Prevention, Education, and Screening Trust Fund, which will help identify and implement effective, comprehensive prevention and intervention programs and tools for students.
- \$2.5 million for the Commonwealth's five recovery high schools, which will be transferred from DPH to DESE to better serve the educational needs of students who are in recovery from alcohol and drug misuse.

### **MassHealth**

- Over the past three years, the administration has worked hard to continue to bring the MassHealth growth rate to a sustainable level -- 1.3% growth in today's proposal, down from an unsustainable 14.9% in 2015.
- Included in today's proposal is an innovative approach to drug purchasing that will allow MassHealth to maximize value for the Commonwealth and maintain robust access to prescription drugs for its members, including implementing new negotiation and price transparency levers.

### **Public Safety**

- \$59 million to fully-fund the new clinical contract at Bridgewater State Hospital to continue supporting the significant improvements to patient care.
- \$15.9 million, including \$3.8 million in new funding, for the recently created State Police Division of Homeland Security and Preparedness to support consolidated counter-terrorism, opioid interdiction and criminal intelligence operations that were previously spread across other divisions.
- \$10.7 million for a new class of 200 officers and instructors at the Department of Correction.
- \$7.7 million for a new State Police class of 100 recruits, the third new State Police class funded since the Baker-Polito administration took office.
- \$250,000 to support doubling the daily pay rate for National Guard soldiers

and airmen performing active state duty, consistent with legislation Governor Baker filed in December.

### **Transportation**

- \$584.8 million investment in the Massachusetts Department of Transportation, including the MBTA and Regional Transit Authorities, an 8% increase over FY18 spending.
- A nearly \$1.032 billion sales tax transfer this year, an increase of \$25.1 million over FY18. This funding is in addition to \$127 million in operating budget support, in combination with \$60 million in capital funding that will be included in the FY19 capital budget.
- Since the FMCB was formed in 2015, the MBTA has made significant progress on reducing its annual operating deficit, including reducing the projected FY18 operating budget deficit from \$335 million to a projected \$50 million.

### **Workforce Development and Economic Development**

- \$4 million increase to support approximately 20 additional grants for training and certification programs to bridge the skills gap.
- \$2 million for the Small Business Technical Assistance Program, to provide technical assistance, education, and access to capital for small businesses.
- \$1.7 million in new support at the Executive Office for Housing Economic Development to provide grants to regional workforce organizations to train unemployed and underemployed individuals in advanced manufacturing.
- \$1.5 million in new funding to support the development of accelerated certificate programs at community colleges in information technology, healthcare, and manufacturing, and \$700,000 to fund over 400 new apprenticeships in these fields.
- \$1 million increase, \$3.9 million total, for the Connecting Activities program at the Department of Elementary and Secondary Education (DESE), which provides paid internships for 10,000 high school students, prioritizing participation in STEM fields.
- \$1 million in new funding to support the development of post-secondary Vocational Institutes in manufacturing and other high-demand sectors, through collaborations among voc-tech high schools, community colleges, universities, and employers.
- \$500,000 increase, for total support of \$2 million, for the STEM Pipeline Fund at EOE to support planning and implementation grants for high schools to establish Innovation Pathways in partnership with local employers.

### **Energy and Environmental Affairs**

- \$2 million in new funding for municipal technical support, climate science, and targeted investments in environmental justice.

- \$17.7 million in FY19 funding will support nearly 20 million healthy and nutritious meals through the Department of Agriculture's Emergency Food Assistance Program.
- \$625,000 to support a new environmental police class of ten officers who will oversee protection of the Commonwealth's natural resources, marine recreation, and hunting and fishing industries.
- Allow for \$20 million in retained revenue at the Department of Conservation and Recreation (DCR) to protect over 450,000 acres of parks, forests, beaches, bike trails, and watersheds
- \$450,000 for the School of Marine Science and Technology at UMass Dartmouth, as well as full support for the Commercial Fisheries Industry Based Survey at \$400,000 to continue enhancing the science behind the management and regulations of the Commonwealth's fisheries.

To access the Governor's filing letter, budget message, and specific account information click [here](#).

###